

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Health Administration

*Audit of Workers'
Compensation Case
Management*

September 30, 2011
10-03850-298

ACRONYMS AND ABBREVIATIONS

ASISTS	Automated Safety Incident Surveillance and Tracking System
DOL	Department of Labor
FECA	Federal Employee Compensation Act
HR&A	Human Resources and Administration
OIG	Office of Inspector General
OWCP	Office of Workers' Compensation Program
VA	Veterans Affairs
VHA	Veterans Health Administration
WCP	Workers' Compensation Program

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REPORT HIGHLIGHTS: Audit of VHA's Workers' Compensation Case Management

Why We Did This Audit

VA's Workers' Compensation Program (WCP) provides compensation and medical rehabilitation for injured employees. Over 2 decades, annual program costs have increased 57 percent to about \$182 million. The Veterans Health Administration (VHA) comprises 93 percent of these costs. We conducted this audit to determine whether VHA effectively managed WCP claims to reduce the Department's overall WCP costs.

What We Found

Since 2001, VHA has nearly doubled its timeliness in initiating WCP claims. However, claims initiation was not always accurate due to inadequate oversight to ensure evidence existed for submitted claims. We projected exceptions for 360 (14 percent) of 2,665 claims in our audit universe and estimated VHA could reduce costs over the next five years by about \$57.7 million.

Because of inadequate oversight, policy misinterpretation, and insufficient staff resources, VHA did not consistently update claims files or make job offers to return able employees to work. Fraud detection was also lacking due to competing priorities. We projected exceptions for 1,281 (48 percent) of 2,665 claims in our audit universe and estimated VHA could reduce costs over the next five years by about \$206.3 million. Overall, VHA could reduce future program costs by an estimated \$264 million.

During our review we identified 1,353 (51 percent) of the 2,665 claimants in our audit universe who were 65 years of age or older. Requiring claimants to convert to more appropriate benefit programs, such as Office of Personnel Management retirement plans, could significantly reduce VHA's WCP costs by about \$464 million over the next five years, but requires legislative action beyond VA's control.

What We Recommended

We recommended the Under Secretary for Health institute clear oversight, standard guidance, adequate staff, and fraud detection procedures to improve VHA's WCP case management. We also recommended the Assistant Secretary for Human Resources and Administration propose legislation to convert claimants 65 years of age or older to more appropriate benefit programs.

Agency Comments

The Assistant Secretary for Human Resources and Administration and the Under Secretary for Health agreed with our findings and recommendations and plan to complete all corrective actions by December 31, 2011. The planned actions are acceptable. We will assess and monitor the implementation of corrective actions.

A handwritten signature in black ink that reads "Belinda J. Finn".

BELINDA J. FINN
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objective

The Office of Inspector General (OIG) conducted this audit to determine whether the Veterans Health Administration (VHA) is effectively managing Workers' Compensation Program (WCP) claims to reduce the Department's costs. Specifically, we assessed whether VHA timely and accurately initiated claims and adequately monitored claims to ensure injured employees returned to work as soon as they were medically able. We also assessed whether VHA established effective processes to identify and report potential fraud.

WCP Responsibilities

The Department of Labor's (DOL) Office of Workers' Compensation Program (OWCP) administers the WCP for all Federal agencies. After adjudicating and approving an employee's claim, OWCP pays the claimant's medical expenses and compensation benefits. OWCP also assists Federal agencies in returning claimants to work when they are medically able. OWCP uses its Employees' Compensation Fund to pay benefits then bills each agency annually through a chargeback report. Employing agencies manage all cases listed on their chargeback reports and reimburse OWCP.

Within VA, the Assistant Secretary for Human Resources and Administration (HR&A) has broad responsibility for WCP policy development and oversight. VHA workers' compensation specialists execute the policy by initiating claims and managing cases from the time of employee injury up to the point of claims adjudication by OWCP. Upon claims decisions, the specialists maintain WCP case files, assess medical evidence, and make job offers to return employees to work when possible.

Related OIG Reviews

In four prior audits, we reported enhanced case management could reduce the Department's WCP costs and risks for fraud and abuse. In our most recent report, *Follow-Up Audit of Department of Veterans Affairs Workers' Compensation Program Costs* (Report No. 02-03056-182, August 13, 2004), we stated that VA had missed several opportunities to make job offers and lacked the medical evidence necessary to support continuation of benefits to employees. We also identified instances of potential fraud. We recommended VA increase Department-wide program management and oversight processes, dedicate resources to ensure effective WCP case management, and reduced fraud risk. We followed up on these issues as part of this audit.

Appendixes

Appendix A provides an overview of the Federal Employees' Compensation Act (FECA), OWCP and VHA responsibilities, and the WCP claims process. Appendix B provides details on our scope and methodology and Appendix C provides our sampling methodology. Appendix D outlines potential monetary benefits and Appendix E and F include agency comments.

RESULTS AND RECOMMENDATIONS

Finding 1 VHA Needs to Accurately Initiate Workers' Compensation Program Claims

VHA has made steady progress in timely initiating WCP claims. Through mandated use of the Automated Safety Incident Surveillance and Tracking System in 2001, VHA has met Federal performance standards and exceeded VA's goals to submit WCP claims initiation forms within 10 working days. Prompt WCP claims submission ensures injured workers begin receiving compensation benefits in a timely manner.

However, we estimate VHA did not accurately initiate about 360 (14 percent) of the 2,665 WCP claims in our audit universe. WCP case files lacked initial or sufficient medical evidence to support connections between claimed injuries and diagnoses on medical reports. This occurred because VHA did not have a clear chain of command with delegated authorities and responsibilities for enforcing WCP statutory requirements and VA policy. Until VHA establishes adequate program oversight to ensure effective case management, it risks paying unnecessary costs for inaccurately initiated claims. Based on our sample projection results, we estimate that due to inaccurate claims initiation, VHA could have put annual compensation payments totaling \$11.5 million to better use. If not checked, we project that continued payments for these claims over the next 5 years could reach \$57.7 million.

Claims Initiation Process

Claims initiation begins when an employee reports an injury sustained during the performance of duty either through a supervisor or directly to a VHA workers' compensation specialist. According to OWCP Publication CA-810, *Injury Compensation for Federal Employees*, the VHA workers' compensation specialist must then submit the employee-completed WCP compensation form (CA-1 for traumatic injury or CA-2 for occupational disease) to OWCP. Per Federal regulations, the specialist can submit the completed WCP compensation form with or without supporting evidence.¹ OWCP permits this to promote timely submission of claims.

¹ Code of Federal Regulations, Title 20, Part 10, *Claims for Compensation Under FECA*, Section 10.110.

Table 1 provides the five elements needed to establish a WCP claim.

Table 1

Five Elements To Establish a Workers' Compensation Program Claim	
Element	Description
Timely Filing	The employee timely filed the claim with the WCP staff by providing the employee compensation form within 3 years of the date of injury.
Civil Employee	The individual is a civilian Federal employee.
Fact of Injury	The claimant actually experienced the accident and the medical condition connected with the event.
Performance of Duty	The employee sustained the injury in the performance of duty as alleged.
Causal Relationship	The work-related injury is connected to the specific condition for which compensation is claimed.

Source: Publication CA-810, Chapter 3, "Conditions of Coverage"

The VHA workers' compensation specialist reviews the WCP compensation form to determine whether the claim is complete and accurate. If any of the five elements are lacking, the specialist should challenge the validity of the claim. The specialist should submit a statement to OWCP, along with the CA-1 or CA-2, specifically describing why he or she disagrees with the claim and providing evidence to support that position. Generally, the specialist can establish the first four elements of a claim using the employee-completed WCP compensation form. However, within 30 days of OWCP's request for additional information, the employee must provide supplemental medical evidence to OWCP, either directly or through the specialist, to establish causal relationship.

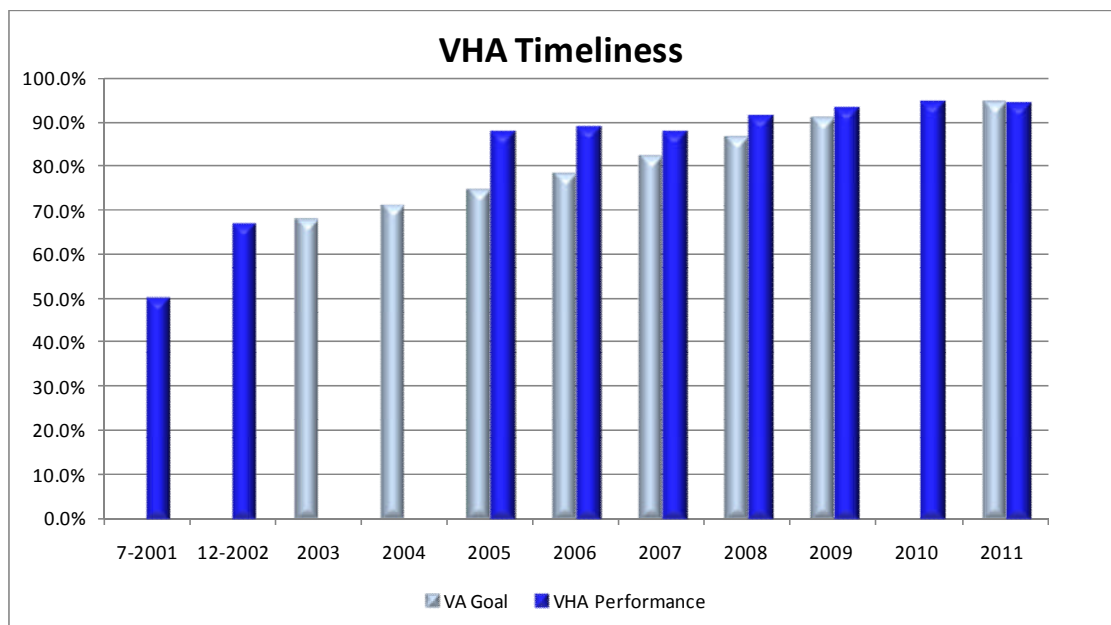
**Timely Claims
Initiation**

In response to a number of improvement initiatives over the past decade, VHA has steadily increased its timeliness in submitting claims to OWCP. The 1999 *Federal Worker* initiative established performance targets for all Federal agencies to increase timely filing of WCP claims. In 2004, President Bush replaced this initiative with the *Safety, Health and Return to Employment* program, requiring all agencies to achieve a rate of between 50 and 95 percent in timely filing WCP claims. This percentage reflects the number of WCP compensation forms submitted within 10 working days of receipt from employees. Further, in 2010, President Obama established the *Protecting Our Workers and Ensuring Reemployment* initiative for FYs 2011–2014, continuing President Bush's performance goals for timely claims filing.

To comply with the 1999 Federal initiative and improve timely claims submission, in May 2001, VHA mandated use of the Automated Safety Incident Surveillance and Tracking System, which eliminated manual filing and provided for electronic submission of WCP compensation forms to OWCP. As a result, VHA improved its claims submission timeliness from about 50 percent in 2001 to nearly 95 percent in 2011 to meet the timely filing goals outlined in the remaining two initiatives. Figure 1 graphically displays this improvement, as recorded by the Department of Labor. Note: goal data for VA was not available for 2001, 2002, or 2010. VHA performance data was not available for 2003 or 2004

Figure 1

Workers' Compensation Claims Timely Filing Goals and Performance



Sources: Department of Veterans Affairs & Department of Labor Safety

Our audit indicated that mandatory use of the Automated Safety Incident Surveillance and Tracking System played a significant role in improving WCP claims initiation timeliness. Before system use became mandatory, VHA workers' compensation specialists manually filed 111 of 160 claims we sampled. Specialists only filed 68 (61 percent) of the 111 manual claims timely. In comparison, after system use became mandatory, specialists filed 47 (96 percent) of 49 claims timely and in line with goals of the *Safety, Health and Return-to-Employment* initiative. Although required to use the system to submit claims, one union representative filed a claim manually; specialists could not explain why the electronic submission of the remaining claim was untimely.

***Inaccurate
Claims
Initiation***

We estimate that VHA did not accurately initiate 360 (14 percent, totaling \$11.5 million) of the 2,665 WCP claims in our universe. Of the five elements required to establish a claim, VHA workers' compensation specialists most frequently made errors in establishing a causal relationship between an employee's injury and the specific condition for which he or she claimed compensation. The only way to determine causal relationship is through sufficient medical evidence provided by the employee's treating physician. Specialists did not always include such medical evidence in the WCP case files or ensure the evidence provided was sufficient to initiate claims.

***Missing Initial
Medical
Evidence***

We estimate 286 (79 percent, totaling \$9.6 million) of the 360 inaccurately initiated claims were missing initial medical evidence. CA-810, "Injury Compensation for Federal Employees," requires that VHA workers' compensation specialists use initial medical evidence to establish a causal relationship for a claim. The policy also requires that specialists maintain copies of claims forms, medical reports, OWCP correspondence, and related materials in each WCP case file. Specialists currently responsible for managing WCP case files could not explain why files established prior to their appointments lacked initial medical evidence to substantiate that claimants warranted benefits for injuries sustained in the performance of duty. Maintaining a complete WCP case file with initial medical evidence was also critical in helping VHA workers' compensation specialists identify inconsistencies between initial and updated medical evidence over the life of a claim and determine whether to continue an employee's WCP disability benefit.

In one instance, VHA did not obtain medical evidence until 15 years after an employee filed a claim for a back injury. The WCP staff could not explain why specialists did not request medical evidence. Updated medical evidence showed the claimant was permanently disabled and required a wheelchair. However, the case file also indicated the injured employee asked OWCP to purchase a vehicle that was not wheelchair accessible—an inconsistency that raised questions as to the validity of the claim. Even though the employee requested a vehicle that was not wheelchair accessible, OWCP purchased a vehicle that was wheelchair accessible. Initial medical evidence needed to establish the original injury was missing. As such, specialists could not determine whether the updated medical evidence related to the original injury and ensure VHA should continue costs for the employee's disability claim. In chargeback year 2010, the employee received about \$30,000 in questionable compensation benefits.

***Insufficient
Initial Medical
Evidence***

We estimate 74 (20.5 percent, totaling \$1.9 million) of the 360 inaccurately initiated claims lacked sufficient evidence in the treating physicians' medical reports to support causal relationships. According to Title 20, Code of

Federal Regulations, Part 10.330, sufficient medical evidence to establish a causal relationship should include:

- Medical examination and treatment dates.
- Medical history provided by the employee.
- Diagnosis and course of treatment.
- Treating physician's medical opinion.
- Prognosis for recovery.

Insufficient initial medical evidence should result in a VHA workers' compensation specialist disputing the validity of a claim. VA has compiled best practices to assist specialists in identifying and challenging questionable claims.

For example, VA's Best Practice Training Course suggests specialists should obtain and review medical reports to validate that they include causal relationships. If a specialist notes that a causal relationship does not exist, the specialist should question the validity of the claim and develop an agency position letter. With the assistance of a clinician, a specialist can interpret the medical reports available to identify inconsistencies between the employee's injury and the condition reported. During our audit, we identified one specialist who used a memo, similar to the agency position letter, to question the validity of a claim with OWCP. Because of her nursing background, this specialist could not only independently interpret but also discuss why medical evidence was insufficient to support the claim. However, not all specialists use the best practice guidance and VHA has not developed standard dispute procedures or assigned clinicians to assist specialists with interpreting medical evidence.

Following are examples of inconsistencies between claimed injuries and medical evidence where formal disputes should have occurred. In both instances, the treating physicians' medical reports did not substantiate causal relationships between the claimed work-related injuries and the identified medical conditions.

- An employee filed a claim for a knee injury. The claimant alleged a backward fall on a wet floor and complained of pain in the hand, wrist, and left knee. The treating physician's medical report stated the employee fell on the buttocks and substantiated the hand and wrist injuries but did not explain how the fall resulted in the knee injury. In chargeback year 2010, the employee received about \$45,000 in questionable compensation benefits.

- An employee attempted to lift a tray from a delivery cart and filed a claim for a pulled muscle and neck and arm injuries. Initial medical documentation reflected the physician's medical opinion that a connection did not exist between the work-related injury and any neck or arm injuries. In chargeback year 2010, the employee received about \$11,000 in questionable compensation benefits.

***Lack of
Oversight To
Ensure
Accurate
Claims
Initiation***

VHA lacked a clear chain of command and oversight for ensuring accurate WCP claims initiation. The Assistant Secretary for Human Resources and Administration (HR&A) has provided VA administrations with WCP policy generally aligned with FECA requirements. Within VHA, the Deputy Under Secretary for Health for Operations and Management is responsible for maintaining an infrastructure to ensure effective execution of that WCP policy direction.

According to a representative of the Office of the Deputy Under Secretary for Health for Operations and Management, the Occupational Health Strategic Healthcare Group (Group) has been tasked with overseeing operations and ensuring compliance with WCP policy requirements. However, the Deputy Under Secretary for Health for Operations and Management has not provided guidance to the Group on how to carry out its WCP oversight and enforcement responsibilities. The Group also reports to the Deputy Under Secretary for Health for Policy and Services and does not fall within the chain of command of the Deputy Under Secretary for Health for Operations and Management. As such, the Group is not in the line of supervision over the specialists responsible for day-to-day WCP case management operations. The Deputy Under Secretary for Health for Operations and Management office also has not delegated to the Group the authority needed to enforce WCP policy or implement standard procedures throughout VHA.

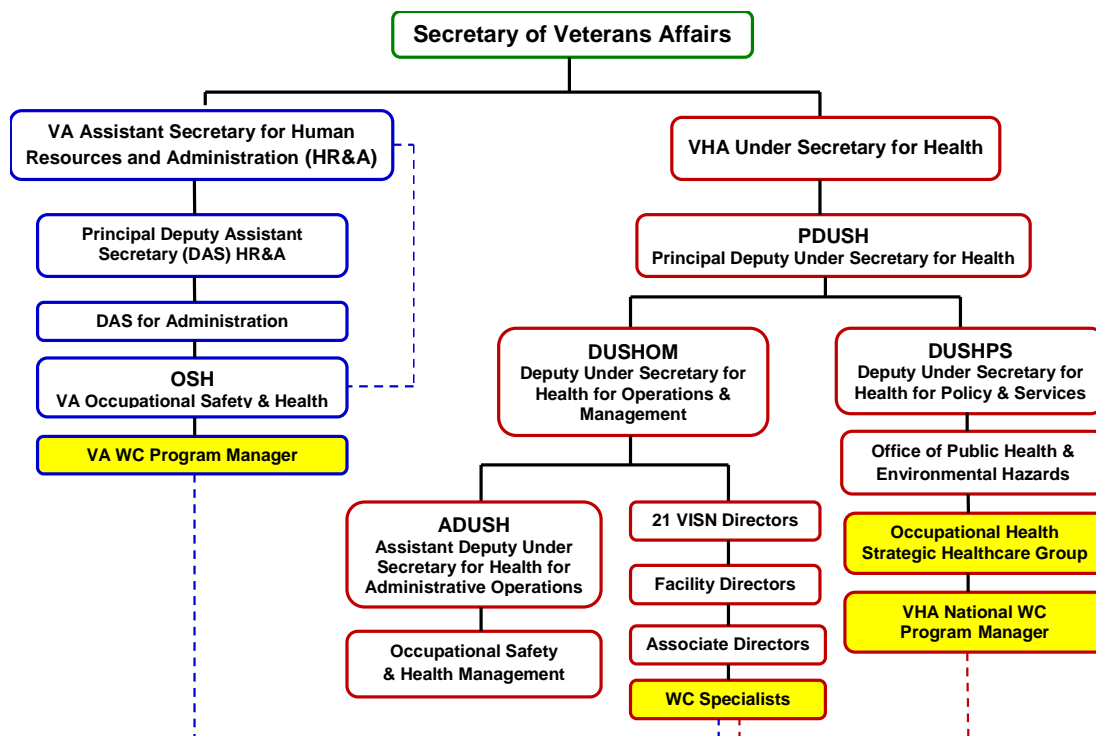
We discussed the WCP organizational structure and related oversight and enforcement issues with VHA and the Assistant Secretary for HR&A. The Assistant Secretary recognized the problems with the WCP organizational structure and was not surprised at the discrepancies identified. According to the Assistant Secretary, VA leadership needs to demonstrate stronger commitment to WCP and address the oversight issues. He also emphasized the importance of VHA implementing standard procedures to ensure proper application of FECA for effective case management within VHA.

We requested from VA and VHA a copy of the official WCP organizational structure and found no such structure existed. As such, we conducted interviews, analyzed program documents, and reviewed existing VA organizational charts to obtain an understanding of the overall WCP chain of command. Based on our understanding of the reporting relationships, we developed an illustration of the WCP organizational structure. The Assistant

Secretary for Human Resources and Administration agreed with our illustration. Figure 2 provides our depiction of the WCP organizational structure and the indirect reporting relationships.

Figure 2

Workers' Compensation Program "Unofficial" Organizational Structure



Source: VA OIG Analysis

This organization does not provide an effective structure for overseeing and controlling VHA's WCP operations. Given its position relative to the workers' compensation specialists, the Occupational Health Strategic Healthcare Group cannot provide the oversight needed to ensure effective case file management across VHA. Instead, the Group serves more as a support function to VHA workers' compensation specialists—providing policy guidance, data analysis, and evaluations of VHA's WCP.

For example, the Group tracks VHA's timely claims submission and provides WCP metrics, such as the numbers of claimants not reviewed for work capacity or not returned to work when medically able, to the Assistant Secretary for Human Resources and Administration. While VHA's workers' compensation specialists report directly to medical center directors within the Veteran Integrated Service Network, the directors do not enforce WCP policy or get involved in day-to-day WCP activities. Instead, the directors rely solely on the specialists to handle WCP-related issues. Further,

although the facility directors are responsible for implementing VA's policy, VA does not hold them accountable for the WCP.

*VHA's
Corrective
Actions*

In April 2011, the Director of Safety, Health, and Environmental Compliance informed us that the Deputy Under Secretary for Health for Operations and Management appointed him to work with the Occupational Health Strategic Healthcare Group to enforce policy and implement standard WCP procedures throughout VHA. The Director of Safety, Health, and Environmental Compliance was not previously included in the WCP organizational structure.

The plan was for the Director to provide a connection between the Office of the Deputy Under Secretary for Health for Operations and Management and the field facilities, which did not previously exist. However, the Director indicated that he would need to obtain a thorough understanding of WCP statutory requirements and existing case management practices before making any changes. As of August 2011, the Director of Safety, Health, and Environmental Compliance had not developed the details on improving oversight and enforcement of WCP operations.

Conclusion

Timely and accurate claims initiation is the first step in the claims process and important to ensure VHA is paying valid WCP claims in an expeditious manner. VHA's progress in submitting claims in line with established timeliness goals helps ensure injured workers begin receiving compensation benefits without undue delay.

However, until VHA ensures case files are complete, with sufficient initial medical evidence to substantiate claims, the Department runs the risk of paying questionable costs for WCP benefits. Based on our sample results, we estimate that 360 WCP claims, constituting \$11.5 million in annual compensation payments, could have been put to better use due to missing or insufficient initial medical evidence. If not checked, we project that continued payments for these claims over the next 5 years could reach \$57.7 million. Until specialists dispute inadequate claims in the adjudication process, the potential for fraud and abuse remains.

Recommendations

1. We recommended the Under Secretary for Health establish Workers' Compensation Program case file documentation standards so that specialists ensure all case files are complete.
2. We recommended the Assistant Secretary for Human Resources and Administration coordinate with the Under Secretary for Health to develop and implement standard procedures for VA to question the validity of claims lacking adequate supporting evidence.
3. We recommended the Under Secretary for Health establish clear reporting lines with delegated authority for overseeing and enforcing

Workers' Compensation Program policy (*repeat recommendation from the 2004 VA OIG audit report.*)

4. We recommended the Under Secretary for Health establish a plan outlining the roles, responsibilities, procedures, and training needed for the Director of Safety, Health, and Environmental Compliance to accomplish Workers' Compensation Program oversight and enforcement control.

**Management
Comments
and OIG
Response**

The Assistant Secretary for Human Resources and Administration and the Under Secretary for Health agreed with our findings and recommendations and plan to complete all corrective actions by December 31, 2011. The Deputy Under Secretary for Health for Operations and Management will collaborate with the Deputy Under Secretary for Health for Policy and Services to develop action plans and standards for WCP case file documentation. In addition, the Assistant Secretary for Human Resources and Administration will coordinate with VHA to develop and implement case file documentation standards.

The Deputy Under Secretary for Health for Policy and Services will provide VHA WCP policy requirements to the Deputy Under Secretary for Health for Operations and Management that will help in establishing the foundation for VHA's WCP. The Deputy Under Secretary for Health for Operations and Management designated staff from the Office of Occupational Safety, Health, and Environmental Compliance to oversee compliance and enforcement of VHA's WCP. The Deputy Under Secretary for Health for Operations and Management designee will collaborate with the Occupational Health Strategic Healthcare Group to develop action plans and establish clear reporting lines with the delegated authority for overseeing and enforcing WCP policy.

Together, the Deputy Under Secretary for Health for Operations and Management and the Deputy Under Secretary for Health for Policy and Services will establish a plan, outlining the roles, responsibilities, procedures, and training needed for the Director of Safety, Health, and Environmental Compliance to accomplish Workers' Compensation Program oversight and enforcement.

Finding 2 Workers' Compensation Program Case Monitoring To Return Employees to Work Needs Improvement

We estimate VHA did not adequately monitor 1,057 (40 percent, totaling \$30.5 million) of the 2,665 WCP cases in our universe to return employees to work when they were medically able.

- Specialists did not maintain case files with the updated medical documentation and earnings and dependency information needed to determine whether employees should continue to receive WCP benefits. As with inaccurate claims initiation, this occurred because VHA lacked a chain of command with clear lines of authority and responsibility for ensuring standard WCP case management practices and enforcing policy requirements.
- VHA management misinterpreted WCP requirements and did not always make job offers to claimants who were able to return to work. VHA did not dedicate sufficient resources to monitor cases and return medically able workers to work as soon as possible.

Moreover, we estimate VHA did not adequately monitor 224 (8 percent, totaling \$10.7 million) of the 2,665 WCP cases in our universe to detect fraud. According to a VA official, the Department has deferred establishing a fraud detection and referral process, viewing it as too time consuming for already overworked staff.

Until VHA establishes adequate case management oversight and fraud detection processes, it risks incurring erroneous costs for ineligible claimants. Based on our sample results, we project \$41.2 million in VHA costs could have been put to better use during chargeback year 2010 due to inadequate WCP case monitoring and failure to remove medically able employees and fraudulent claimants from the WCP rolls. We project that continued payments for these claims over the next 5 years could reach \$206.3 million.

Monitoring Process

VA Directive 5810 requires VHA's workers' compensation specialists to monitor cases from the time of injury until employees return to full duty. WCP case monitoring involves:

- Maintaining complete case files with supporting evidence such as periodic medical reports, the "Latest Earnings and Dependency Information" forms (CA-1032), and other information from OWCP or the injured employees to determine whether an employee is capable of returning to work.
- Making job offers to employees when they are released to return to work.

- Assessing WCP case files for red flag indicators such as high compensation with little or no medical costs to detect fraud.

A range of guidance is available to support case monitoring. Per Federal regulations, VHA may obtain periodic medical reports—annually or every 2 or 3 years, depending on the case status.² Case status, determined by OWCP, dictates the frequency that a claimant is required to have a medical examination and submit a related medical report to OWCP. VA's WCP best practices and VA OIG's *Handbook for VA Facility Workers' Compensation Program Case Management and Fraud Detection* (Report No. 9D2-G01-064, April 1999) provide guidance on WCP case file monitoring and fraud detection.

Incomplete Case Files

We estimate 750 (28 percent, totaling approximately \$23.5 million) of 2,665 of VHA's WCP case files were incomplete. VHA workers' compensation specialists did not always obtain the updated medical reports or earning and dependency forms needed to assess claimants' work capacity. This occurred because of a lack of clear oversight and standards for effective case monitoring. Incomplete case files were also an issue noted in our 2004 WCP audit.

Updated Medical Evidence Not Obtained

We estimate VHA workers' compensation specialists did not obtain updated medical reports in 629 of the 750 cases, totaling \$20.2 million. The lack of updated medical reports hampered specialists' ability to return medically able employees to work.

- An employee filed a claim for a back injury. No evidence was in the file for 30 years to support a determination as to whether the employee could return to work. When we brought this to a specialist's attention, the specialist took action to obtain medical evidence and update the claimant's case file. The claimant was 81 years old and considered unable to work. In chargeback year 2010, the claimant received about \$21,000 in questionable compensation benefits.
- An employee filed a claim for a lower leg sprain and tendinitis. Medical evidence did not exist in the case file for more than 2 decades after the date of the injury. A 1999 medical report stated that the employee could return to work, and at the time of our review, the specialist had not identified a suitable position. Subsequent to our case file review, further follow up indicated the specialist is trying to identify a suitable position to return the employee to work. In chargeback year 2010, the employee received about \$20,000 in questionable compensation benefits.

² Code of Federal Regulations, Title 20, Part 10, *Claims for Compensation Under FECA*, Section 10.506.

Had specialists aggressively obtained periodic medical reports throughout the life of these claims, they could have potentially identified opportunities to return medically able employees to work sooner, removed them from the chargeback rolls, and reduced WCP costs. For example, on her own initiative, one VHA workers' compensation specialist we interviewed aggressively obtained periodic medical reports and made job offers to remove employees from the chargeback rolls as required. Her efforts alone resulted in reduced WCP costs of \$250,000 in 2010.

Based on our sample, we estimate that 629 WCP cases, constituting annual compensation payments of \$20.2 million, were questionable due to failure to obtain updated medical evidence. Left unaddressed, questioned costs for these claimants over the next 5 years could reach \$101.1 million.

*CA-1032s Not
Obtained To
Aid Return to
Work
Determinations*

We estimate about 121 of VHA's incomplete case files, totaling approximately \$3.3 million, did not include the "Latest Earnings and Dependency Information" form (CA-1032). This form identifies whether a claimant is receiving additional income, potentially identifying whether work capacity exists. FECA requires that each claimant submit this completed form to OWCP annually; OWCP may suspend compensation payments for claimants who do not comply. Although VA does not require VHA workers' compensation specialists to obtain updated CA-1032s, we found some specialists were requesting the forms from OWCP with the recognition they could be beneficial for effective WCP case management. Ultimately, adopting this best practice for VHA-wide use could aid specialists in returning beneficiaries to work, potentially reducing WCP costs.

We did not identify cases where updated CA-1032s on file would have led specialists to make job offers. However, we did identify seven instances where OWCP did not suspend compensation payments when the claimants did not submit CA-1032s as required. VHA specialists could help OWCP ensure employees submitted updated CA-1032s and if not, request that OWCP suspend compensation payments. Based on our sample results, we estimate 121 cases with annual compensation payments totaling \$3.3 million were questionable due to missing CA-1032s. Questioned costs for these claimants over the next 5 years could reach \$16.6 million.

*Reason for
Inadequate
Monitoring*

As previously stated in Finding 1, VHA lacked clear oversight to enforce WCP policy compliance. The Occupational Health Strategic Healthcare Group assigned this oversight responsibility lacked authority to ensure specialists effectively monitored WCP cases as a means of returning employees to work as soon as they were medically able. For this same reason, the Group has not issued standard procedures against which to measure specialists' practices and performance in managing case file documentation.

Job Offers Not Made

We estimated VHA workers' compensation specialists did not make job offers where appropriate in 307 (11 percent, totaling \$7 million) of 2,665 cases in our universe for chargeback year 2010. Further, we estimated VHA paid \$70.1 million in compensation benefits over the previous decade for the same claimants who should have been returned to work. Management misinterpreted FECA requirements and lacked sufficient resources to return medically able employees to work. Lack of job offers as appropriate was also an issue noted in our 2004 WCP audit.

Management's Misinterpretation of FECA Requirements

We estimated that in 64 (20.9 percent, totaling \$1.7 million) of the 307 cases, VHA facility managers misinterpreted FECA requirements about making job offers to medically able employees. Generally, physicians indicate employees' work capacity to either OWCP or VHA using the CA-17, "Duty Status Report." The form should describe any work limitations, such as the number of hours the employee can sit, stand, or walk. According to FECA, a specialist should assess the CA-17 and follow through with suitable job offers, as appropriate.

However, VHA management misinterpreted the CA-17 and erroneously directed the specialists to withhold job offers, even though management had received WCP training on requirements and procedures for doing so. Following are examples of VHA management's misinterpretations of FECA requirements:

- In 2004 and 2008, CA-17s showed a claimant with a back injury could return to limited duty for 3 hours per day. However, VHA facility management did not realize it could offer a position to an employee with less than 4 hours work capacity and instructed the specialist not to do so. Consequently, this employee, who has work capacity, is still on the Department's chargeback rolls. Between chargeback year 2004 and 2010 the employee received about \$229,000 in questionable compensation benefits.
- In 2008 and 2009, CA-17s showed a claimant with a shoulder injury could return to work. However, VHA facility management did not realize a specialist could take steps to return an employee to work based on this form alone. As such, managers directed the WCP specialist not to make a job offer until receipt of the treating physician's medical report. Consequently, this claimant continues receiving WCP compensation benefits 3 years after being able to return to work. Between chargeback year 2008 and 2010 the employee received about \$48,000 in questionable compensation benefits.

Insufficient Staff Resources

We estimate that for 243 (79 percent, totaling \$5.4 million) of the 307 cases, VHA facilities lacked the staff needed to compile essential documentation and maintain WCP case files with the information needed to make return to

work determinations. VHA's Human Resource Delivery Model indicates that each medical facility should maintain one dedicated WCP specialist per 1,200 full time employees. For the 10 medical facilities we visited, VHA maintained an average ratio of about 0.6 WCP specialists per 1,200 full-time employees. Additionally, 8 (57 percent) of 14 specialists we interviewed stated that WCP case management was a secondary responsibility—they had collateral duties, such as veteran employment coordinator, technical advisor, and Web human resource administrator. Specialists indicated that if they could dedicate 100 percent of their time to WCP, they could monitor cases more closely and return medically able employees to work expeditiously.

According to senior VA officials, the low ratio of specialists to employees, coupled with the specialists' collateral duties, contributed to the inability to manage the WCP cases effectively. Following are examples of missed opportunities to make job offers and return employees to work due to an inadequate number of staff.

- In September 2009, a physician released an employee claiming a left hip and back injury to return to work later that month. The specialist tried to obtain clarification on the employee's work limitations in an effort to make a suitable job offer. However, the physician did not respond, and the specialist did not follow up due to a lack of time and competing work demands. In August 2010, a different physician stated the claimant was physically capable of performing 8 hours of modified light duty. As of November 2010, the specialist had not made a job offer to the claimant. In chargeback year 2010, the employee received about \$7,000 in questionable compensation benefits.
- An employee immediately returned to limited duty after filing a claim for chest and rib injuries. However, VHA subsequently discontinued the position. Between 1986 and 2005, medical evidence in the file indicated the claimant could return to work. However, specialists did not identify any suitable positions or make offers to assist the employee in returning to work due to competing priorities and collateral duties. As of 2011, specialists had not followed through with identifying a suitable position and making a job offer to this individual. Between chargeback year 2000 and 2010 the employee received about \$244,000 in questionable compensation benefits.

**No Fraud
Detection**

VHA has not established a process or consistently devoted time to detecting WCP claims fraud. In 1999, to enhance VHA's fraud detection efforts, we issued the *Handbook for VA Facility Workers' Compensation Program Case Management and Fraud Detection*, Report No. 9D2-G01-064. The handbook contains key information and instructions to aid individual VA facility WCP coordinators and specialists with day-to-day WCP case management and fraud detection. The handbook also includes worksheets to

aid specialists in identifying potential fraud and provides examples for fraud profiling.

Despite such guidance, according to a VA official, the Department has deferred establishing a fraud detection process. Development and referral of potential fraud cases is time consuming for already overworked staff. VHA workers' compensation specialists also said they did not consistently monitor cases for fraud because they lacked sufficient time.

We referred a number of our sampled claims to the OIG Office of Investigations for fraud determination. At one facility, we referred 10 of the 13 cases. Given the considerably high number of fraud referrals at this one location, VHA runs the risk that other facilities could be experiencing a high magnitude of potential fraud as well. Following are two examples of cases with potential fraud:

- An employee with prior suspensions due to poor conduct filed a claim for a neck, back, and hand injury from performing readiness drills related to his work assignment. However, witnesses stated that no drills occurred on the day the claimant alleged sustaining the injury.
- An employee filed a claim alleging a back injury from leaning over medical equipment. Initially, the employee voluntarily returned to limited duty work. VA initially was concerned with the extensive travel the claimant had taken while working limited duty. According to clinical documentation in the employee's file, the travel to attend the conferences was unusual given the disabling discomfort claimed by the employee in sitting for long periods. The claimant ultimately stopped working and applied for disability retirement due to escalating back pain. Given this scenario, coupled with high WCP compensation (about \$100,000) and low medical costs (about \$4,000), we believe the specialist should have referred the case to the OIG Office of Investigations for potential fraud.

Of the 2,665 WCP cases in our sample universe, we project VHA may have 224 (8 percent) potentially fraudulent cases, totaling about \$10.7 million. If left unchecked over the next 5 years, this amount could total \$53.4 million. Establishing fraud identification and reporting process would be beneficial to reduce fraudulent claims costs, not only for VHA, but also for the Department as a whole.

Conclusion

VHA needs to ensure specialists are adequately monitoring WCP cases. Active case monitoring helps ensure proper payments to eligible claimants until they are medically able to return to work. Without oversight to ensure WCP case files are complete with up-to-date medical reports, proper interpretation of FECA requirements to make job offers, and assigning sufficient resources to manage cases, VHA is at risk to incur costs for

improper benefits made to ineligible claimants capable of resuming professional duty. As part of effective WCP case monitoring, specialists should also be alert to potential fraud and abuse of benefits privileges.

Through an effective system of management controls to facilitate effective case file management for an estimated 750 case files, VHA could have avoided \$23.5 million in questionable WCP costs during chargeback year 2010. VHA could also guard against as much as \$117.7 million in overpayments over the next 5 years. Further, had VHA ensured effective case monitoring specialists would have been making more suitable job offers, and VHA could have returned an estimated 307 WCP claimants to work and avoided \$7 million in annual WCP compensation payments. We estimated VHA paid \$70.1 million in compensation benefits over the previous decade to claimants who could have returned to work. By returning claimants to work where possible in the future, VHA could avoid paying \$35.2 million over the next 5 years and put these funds to better use.

Moreover, an estimated 224 cases are at risk for potential fraud with projected annual WCP costs totaling \$10.7 million; payments to fraudulent claims over the next 5 years could reach \$53.4 million. Collectively, VHA could put an estimated \$88.6 million to better use over the next 5 years with enhanced case monitoring.

- Recommendations**
5. We recommended the Under Secretary for Health implement oversight mechanisms and documentation standards to ensure workers' compensation staff maintains complete and up-to-date case files.
 6. We recommended the Assistant Secretary for Human Resources and Administration coordinate with the Under Secretary for Health to ensure job offers are made to medically able employees (*repeat recommendation from the 2004 VA OIG audit report*).
 7. We recommended the Under Secretary for Health ensure facility directors assign adequate staff to manage WCP cases (*repeat recommendation for the Department in the 2004 VA OIG audit report*).
 8. We recommended the Assistant Secretary for Human Resources and Administration coordinate with the Under Secretary for Health to develop and implement fraud identification and referral procedures.

**Management
Comments and
OIG Response**

The Assistant Secretary for Human Resources and Administration and the Under Secretary for Health agreed with our findings and recommendations and plan to complete all corrective actions by December 31, 2011. The Deputy Under Secretary for Health for Operations and Management, in coordination with the Deputy Under Secretary for Health for Policy and Services will designate staff to implement mechanisms and standards to

ensure workers' compensation staff maintain complete and accurate documentation in active WCP case files.

The Deputy Under Secretary for Health for Operations and Management and the Deputy Under Secretary for Health for Policy and Services will ensure appropriate action plans and standard procedures are developed to ensure job offers are made to medically able employees. Further, these two offices will coordinate to ensure they develop criteria using best practices and return on investment models to determine the appropriate number of WCP staff to manage WCP cases effectively and efficiently. Lastly, the Deputy Under Secretary for Health for Operations and Management will coordinate with the Assistant Secretary for Human Resources and Administration to develop and implement fraud detection procedures.

Finding 3 Workers' Compensation Program Retirement Benefit Could Reduce Program Case Workload and Costs

The Federal community has expressed concerns about workers who continue to receive FECA benefits through retirement. FECA allows claimants to either select Office of Personnel Management retirement programs or remain on workers' compensation rolls after they reach retirement age. Because FECA payments are tax-free and generally higher than the Office of Personnel Management retirement benefits, claimants typically elect to remain on workers' compensation rolls.

We identified 1,353 (51 percent) of the 2,665 claimants in our audit universe who were 65 years of age or older. Following are examples of claimants who may remain on VHA's chargeback rolls for life.

- One claimant alleged a back injury from assisting a patient into bed. The treating physician released the claimant for return to work in 2008. The employee signed a job offer, but then immediately obtained medical evidence supporting lifetime work restrictions. The doctor diagnosed the claimant as unable to work due to age and dementia. The claimant currently resides in a nursing home. In chargeback year 2010, the employee received about \$22,000 in questionable compensation benefits.
- One employee, who has been on the chargeback rolls for almost 29 years, filed a claim for a back and leg injury. The claimant returned to work sporadically for about a year. The current treating physician determined that the claimant is unemployable due to age and debilitating disk disease unrelated to the injury. The employee is over 75 years old and in chargeback year 2010 the employee received about \$25,000 in questionable compensation benefits.

As part of the natural aging process, claimants can develop other degenerative conditions over time unrelated to their original injuries. Consequently, as claimants get older and begin experiencing age-related conditions, the probability that physicians will not release them to return to work increases. The debilitating conditions prevent VA from making job offers and as a result, claimants can remain on workers' compensation rolls indefinitely.

WCP specialists indicated that reform of the program to remove retirement eligible employees would positively affect the WCP claims processing workload. For example, a reduction in WCP claimants would allow the limited number of specialists to devote more time to manage cases for the employable workforce. Also, requiring claimants 65 years old and over to convert to more appropriate benefit programs, such as Office of Personnel

Management retirement plans, could significantly reduce VHA's annual WCP costs by about \$463.9 million.³

Inspectors General of several Departments have repeatedly expressed concerns over claimants who are retirement plan eligible that remain on WCP rolls. In December 2003 and in April 2011, United States Postal Service Inspector General reported the Postal Service could save millions if claimants were required to retire under their applicable federal retirement system. In May 2011, The U.S. Department of Labor, Assistant Inspector General for Audit testified that the benefit structure for retirement age beneficiaries needs to be examined to determine whether a change in the benefit rate(s) should occur. Finally, in February 2011, Senator Susan M. Collins introduced a bill to reform FECA. The bill would require termination of workers' compensation on the date a claimant is eligible for either the Civil Service Retirement System or the Federal Employees Retirement System. Proposing such legislation to enact an operational change would not only aid VHA, it would also benefit the Department and the Federal Government as a whole.

- Recommendation** 9. We recommended the Assistant Secretary for Human Resources and Administration propose that the Department of Labor, Office of Workers' Compensation Programs present for congressional consideration a legislative change requiring that at a pre-determined retirement age Workers' Compensation Program claimants' transition from agency chargeback rolls to more appropriate retirement programs.

**Management
Comments and
OIG Response**

The Assistant Secretary for Human Resources and Administration agreed with our finding and recommendation and plans to address our recommendation by November 30, 2011. The Assistant Secretary for Human Resources and Administration will develop a letter of support to submit to the Department of Labor for the proposed change in legislation.

³ We calculated lifetime estimates using the life expectancy table for net worth determinations contained in the Veterans Benefits Administration Manual M-21, Section J, Chapter 72, Exhibit 1. We multiplied the annual dollar impact by the number of years of life expectancy. The estimates did not include future increases in WCP benefits.

Appendix A Background

FECA Overview

The Federal Employee Compensation Act (FECA) provides compensation and medical benefits to civilian employees of the Federal Government for personal injuries or diseases sustained during performance of duty. FECA also provides benefits to an employee's dependents if the work-related injury or disease results in the employee's death.

OWCP Responsibilities

Currently, the Division of Federal Employees' Compensation within the OWCP administers the workers' compensation program. OWCP adjudicates claims and manages ongoing cases. OWCP provides vocational rehabilitation to injured employees and refers employees to medical specialists for second opinion examinations. OWCP also assists agencies in returning injured employees to work when they are medically able. OWCP makes benefit payments from the Employees' Compensation Fund and bills each employing agency annually through a chargeback report. Each agency then reimburses the fund, 2 years in arrears, through annual operating appropriations.

VHA Responsibilities

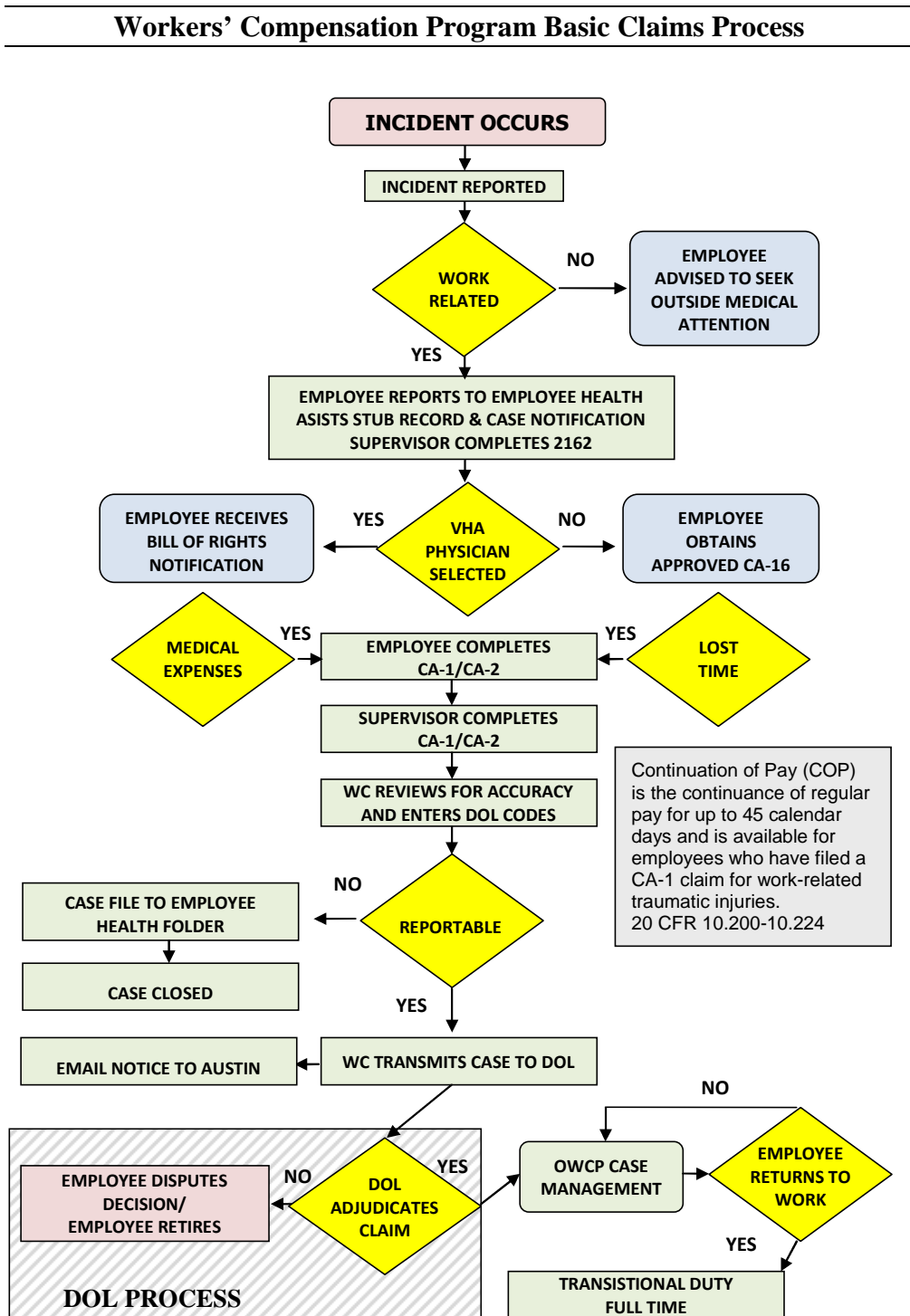
Publication CA-810, *Injury Compensation for Federal Employees*, outlines VHA's case management responsibilities, including:

- Ensuring that supervisors understand their responsibilities under FECA.
- Notifying the injured employees of their rights and obligations under FECA.
- Initiating FECA claims timely by submitting claims to the Department of Labor within 10 days of the date of the employee's signature.
- Initiating FECA claims accurately by ensuring the five basic elements of a claim are present.
- Challenging or disputing questionable claims that do not include the five basic elements.
- Monitoring the medical status of injured employees, and as soon as they are medically able, helping them return to work—providing light or modified work duties as appropriate.

Basic Claims Process

Figure 3 illustrates the basic claims process from the time an incident occurs to the point where OWCP adjudicates a claim.

Figure 3



Source: VA WCP Strategic Plan, January 2006

Appendix B Scope and Methodology

Scope

We conducted our audit work from September 2010 through July 2011. We limited our review to VHA controls for timely and accurate WCP claims initiation and return to work of medically able employees. We focused on open and active WCP claims that OWCP paid during chargeback year 2010, from July 1, 2009, through June 30, 2010.

Methodology

We evaluated the local processes and procedures WCP specialists used to manage WCP claims by obtaining relevant documentation, such as employee compensation forms and medical examination reports. We conducted this work at 10 VA medical facilities—1 certainty and 9 randomly selected. We also conducted site visits to Department of Labor headquarters to review WCP case file documentation specific to our sampled claims. Within VA, we interviewed the Assistant Secretary for HR&A and the Deputy Under Secretary for Health for Operations and Management. We also met with Veterans Integrated Service Network managers, medical facility officials, and WCP specialists.

Further, we reviewed and discussed each case exception with WCP specialists and obtained their written agreement with the discrepancies identified. We reviewed applicable Federal laws and regulations, prior VA OIG and Government Accountability Office audit reports, and VA and VHA policies related to WCP. We also validated implementation of recommendations from our August 2004 audit report.

To test VHA timeliness in initiating WCP claims, we examined case files to determine whether specialists submitted employee compensation forms to the Department of Labor within 10 working days as required. We reviewed employee compensation forms and compared employee signature dates to the dates in the Department of Labor's Agency Query System. The Agency Query System provides authorized Federal personnel access to information on FECA claims. To validate whether specialists accurately initiated WCP claims, we examined employee compensation forms and initial medical evidence to ensure the five elements of a claim were present.

To evaluate VHA's return to work efforts, we reviewed medical evidence available in the WCP case files and determined whether the treating physicians documented work capacity. When updated medical evidence was present indicating employees could work, we examined the case files to identify documentation such as VHA or Department of Labor memos offering jobs to the employees. Then, we looked for signed job acceptance letters from the employees. In addition, we determined whether any of our 160 sampled claimants appeared on VA's payroll while they received WCP payments. With the assistance of our data mining division, we compared our

sample of 160 WCP claims to VA's payroll records for one pay period and did not identify any irregularities.

To assess VHA's effectiveness in identifying and reporting potential WCP fraud, we developed a fraud review sheet listing fraud indicators, such as low medical and high compensation (70 percent or more of total payments) and dual benefits.⁴ We used the review sheet to analyze WCP cases when fraud indicators arose during our review. For example, when we identified a potential dual benefit payment, we determined whether the employee's VA disability benefits increased because of his or her work-related injuries.

**Reliability of
Computer-
Processed
Data**

We used computer-processed data from the Workers' Compensation Office of Safety and Health Management Information System for our WCP claims sample selection. To test the reliability of this data, we compared WCP claimant data from the system, such as case numbers, dates of injury, and dates of birth, to source documentation from 160 WCP case files and found no significant discrepancies.

We also tested completeness of the computer-processed data by non-statistically selecting 50 hard copy files maintained at the medical facilities and validating them against the universe of claims we generated from the system. We found no significant discrepancies and concluded that the data were sufficiently reliable for our audit objectives.

**Compliance
With
Government
Audit
Standards**

Our assessment of internal controls focused on those controls relating to our audit objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

⁴ Dual benefit payments occur when an employee who is also a veteran inappropriately receives concurrent WCP and VA compensation payments for the same injury.

Appendix C Statistical Sampling Methodology

Approach

To evaluate the extent to which VHA initiated timely and accurate WCP claims and returned WCP claimants to work, we selected a representative sample of WCP open and active claims for review.

We considered a WCP claim to have an exception when:

- VHA did not timely submit the employee claim form to the Department of Labor.
- VHA did not maintain a complete WCP claims file.
- VHA did not accurately initiate the claim by ensuring it included the five required elements, such as performance of duty and causal relationship.
- VHA did not obtain updated medical evidence to support continued benefits for the WCP claimed injury.
- VHA did not make job offers to employees with work capacity.

We reviewed each resulting exception with WCP staff at each VA medical facility we included in our audit. WCP staff demonstrated agreement with the exceptions by signing case review sheets.

Population

VHA's WCP population consisted of about 15,800 claims totaling about \$170 million during chargeback year 2010. These figures represent more than 93 percent of VA's 16,900 WCP claims totaling about \$182 million. Over 2 decades, VA's annual program costs have increased 57 percent.

We limited our review to cover the population compensation payments of \$10,000 or more.⁵ We also used the following three status codes as additional parameters because VA and OWCP recommended that VHA workers' compensation specialists prioritize and review these cases first.

- Periodic Roll: The Department of Labor is developing the case for re-employment potential or to determine whether the employee's continued disability resulted from workplace injury. WCP cases remain in Periodic Roll status until Labor determines future entitlement.
- Periodic Roll Loss of Wage Earning Capacity: The WCP claimant has returned to work with some loss of actual earnings, or a reduction in benefits to reflect partial earning capacity.

⁵ We chose a \$10,000 threshold to remain consistent with prior VA OIG audit reports. The pre-sampling site criteria varied with gross (medical and compensation) payments totaling \$10,000 or more in chargeback year 2010.

- Periodic Roll No Wage Earning Capacity: The Department of Labor determined that the claimant is unable to work and has no wage earning capacity.

The remaining WCP claims were closed or not eligible to be sampled and were not included in our audit. Our WCP audit universe was comprised of 2,665 claims:

Total VHA cases on 2010 chargeback rolls:	15,762
Less cases without the three status codes:	(8,366)
Less closed claims:	(4,226)
Less claims less than \$10,000 compensation:	(505)
Total in audit universe:	2,665

Sampling Design

We conducted a two-stage random sample of all claims identified in the WCP population. In the first stage, we selected one VA medical facility with certainty (North Texas VA Health Care System) as part of our pre-sampling review to test our methodology. We ultimately selected 10 facilities for inclusion in our sample. The other nine VA medical facilities were randomly selected using probability proportional to the total number of open WCP claims maintained at each facility. This helped ensure that facilities with the largest number of WCP claim files had a higher probability of selection.

In the second stage, we selected the WCP cases we would review at each sample facility. We developed a statistical sample of approximately 160 claims using two parameters—WCP claims with total compensation benefits paid of about \$10,000 or more during chargeback year 2010 and WCP cases that the Department of Labor assigned one of the three status codes. We removed one medical facility from the eligible WCP population due to open investigations.

Table 2 lists the 10 VA medical facilities we visited.

Table 2

Medical Facilities Selected To Assess Workers' Compensation Program

Facility Name	Facility Location
North Texas VA Health Care System	Dallas, TX
South Texas VA Health Care System	San Antonio, TX
Spokane VA Medical Center	Spokane, WA
VA Butler Healthcare	Butler, PA
Minneapolis VA Health Care System	Minneapolis, MN
Malcolm Randall VA Medical Center	Gainesville, FL
Hunter Holmes McGuire VA Medical Center	Richmond, VA
Louis Stokes Cleveland VA Medical Center	Cleveland, OH
Canandaigua VA Medical Center	Canandaigua, NY
WM. Jennings Bryan Dorn VA Medical Center	Columbia, MO

Source: VA OIG

Weights

We computed sampling weights as a product of the inverse of the probability of selection at each stage of sampling. We used these weights to compute population estimates from the sample findings. To avoid any sampling bias, we adjusted the sample result weights so that weighted sample totals were equal to known population totals for the counts and costs of claims.

**Projections
and Margins
of Error**

From our sample review, we identified 87 out of 160 case files with at least one exception for inaccurate claims initiation, incomplete case files, and inadequate monitoring for return to work. We projected the sample results across our audit universe of 2,665 claims cases to develop estimates of counts and costs for each exception type.

Table 3 represents the mid-point projections for all the exceptions.

Table 3

**Mid-Point Projections of Sample Results to
Workers' Compensation Program Audit Universe**

Type of Exception	Sample Size	Projections				
		Count ¹	Percent	Annual Compensation (millions)	Past Compensation (millions)	Future ² Compensation (millions)
Inaccurate Initiation	24	360	13.5%	\$11.5	N/A	\$57.7
Missing Initial Medical	17	286	79.5	9.6		48.0
Insufficient Initial Medical	7	74	20.5	1.9		9.6
Incomplete Case Files	45	750	28.2	23.5		117.7
Missing Updated Medical	38	629	23.6	20.2		101.1
Missing CA-1032 Forms	7	121	4.6	3.3		16.6
No Job Offer	18	307	11.5	7.0	70.1	35.2
FECA Requirements	4	64	20.9	1.7	15.9	8.4
Insufficient Resources	14	243	79.1	5.4	54.1	26.8
Subtotal	87	1,418	53.2%	\$42.1	\$70.1	\$210.6
Potential Fraud	13	224	8.4	10.7	N/A	53.4
Total				\$52.8	\$70.1	\$264.0

¹ Subtotal calculation differences caused by rounding

² Future compensation is calculated as annual compensation multiplied by five

Source: OIG Analysis

Tables 4 and 5 represent the mid-point and a lower/upper limit respectively of the sample estimates (projections) and associated margins of error. When we subtracted from and added to the estimates, the lower/upper limits form 90 percent confidence intervals around the mid-point estimates. The margins of error and confidence intervals are indicators of the precision of the estimates.

Table 4 Lower/Upper Limits of Sample Projections and Margins of Error
—Attributes—

Type of Exception	Sample Size	Projected Count				Projected Percent			
		Mid-Point ¹	Margin of Error	90% Confidence Interval		Mid-Point	Margin of Error	90% Confidence Interval	
				Lower Limit	Upper Limit			Lower Limit	Upper Limit
Inaccurate Initiation	24	360	147	213	507	13.5%	5.5%	8.0%	19.0%
Missing Initial Medical	17	286	144	143	430	79.5	16.0	63.5	95.6
Insufficient Initial Medical	7	74	52	22	126	20.5	16.0	4.4	36.5
Incomplete Case Files	45	750				28.2			
Missing Updated Medical	38	629	143	486	773	23.6	5.4	18.2	29.0
Missing CA-1032 Forms	7	121	119	7	240	4.6	4.5	0.3	9.0
No Job Offer	18	307	118	189	425	11.5	4.4	7.1	15.9
FECA Requirements	4	64	67	4	131	20.9	22.3	1.3	43.2
Insufficient Resources	14	243	115	128	358	79.1	22.3	56.8	100.0
SubTotal	87	1,418	170	1,247	1,588	53.2%	6.4%	46.8%	59.6%
Potential Fraud	13	224	94	130	318	8.4	3.5	4.9	11.9

¹SubTotal calculation differences caused by rounding

Note: True lower limit cannot be less than sample finding

Source: Analysis of our statistical sample results

Table 5 Lower/Upper Limits of Sample Projections and Margins of Error
—Compensation—

		Projected Annual Compensation				Projected Past Compensation			
		90% Confidence Interval				90% Confidence Interval			
Type of Exception	Sample Size	Mid-Point ¹	Margin of Error (millions)	Lower Limit (millions)	Upper Limit (millions)	Mid-Point ¹	Margin of Error (millions)	Lower Limit (millions)	Upper Limit (millions)
Inaccurate Initiation	24	\$11.5	\$6.7	\$4.8	\$18.2	N/A			
Missing Initial Medical	17	9.6	6.7	2.9	16.3				
Insufficient Initial Medical	7	1.9	1.7	0.2	3.6				
Incomplete Case Files	45	23.5							
Missing Updated Medical	38	20.2	7.3	12.9	27.5				
Missing CA-1032 Forms	7	3.3	3.5	0.2	6.8				
No Job Offer	18	7.0	2.8	4.3	9.8	\$70.1	\$27.0	\$43.0	\$97.1
FECA Requirements	4	1.7	1.7	0.0	3.4	15.9	16.1	1.0	32.1
Insufficient Resources	14	5.4	2.6	2.7	8.0	54.1	26.0	28.2	80.1
SubTotal	87	\$42.1	\$7.6	\$34.5	\$49.7	\$70.1	\$27.0	\$43.0	\$97.1
Potential Fraud	13	10.7	5.4	5.3	16.1	N/A			

¹SubTotal calculation differences caused by rounding

Note: True lower limit cannot be less than sample finding.

Source: Analysis of our statistical sample results

Appendix D Potential Monetary Benefits in Accordance With Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds (millions)	Questioned Costs (millions)
1, 2	Estimated WCP costs that could be potentially avoided over the next 5 years through implementing standard case management procedures	\$57,700,000	
5	Estimated WCP costs that could be potentially avoided over the next 5 years through improved case management	\$117,700,000	
6, 7	Estimated WCP costs that could be potentially avoided over the next 5 years through returning medically able employees to work	\$35,200,000	
	Estimated past WCP payments that cannot be recovered		\$70,100,000
8	Estimated WCP costs that could be potentially avoided over the next 5 years through improved fraud detection	<u>\$53,400,000</u>	
	Subtotal:	\$206,300,000	
	Total:	\$264,000,000	\$70,100,000

Appendix E Assistant Secretary for Human Resources and Administration Comments

Department of Veterans Affairs

Memorandum

Date: September 22, 2011

From: Assistant Secretary for Human Resources and Administration (006)

Subj: **AMENDED RESPONSE:** OIG Draft Report: Audit of VHA's Workers' Compensation Case Management (2010-03850-R6-0353) (VAIQ 7147756)

To: Inspector General (50)

1. The Office of Human Resources and Administration (HR&A) appreciates the opportunity to review and comment on the Office of the Inspector General's (OIG) draft report regarding the Veterans Health Administration's (VHA) workers' compensation program (WCP). Per the request in your August 17, the following response is provided:

- a. **OIG recommendation 2:** The Assistant Secretary for HR&A coordinates with the Under Secretary for Health the development and implementation of standard procedures for VA to question the validity of claims lacking adequate supporting evidence.

Response: We concur with this recommendation and will work with VHA to develop and implement appropriate standard procedures.

To be completed NLT December 31, 2011

- b. **OIG recommendation 6:** The Assistant Secretary for HR&A coordinates with the Under Secretary for Health for ensuring of job offers being made to medically able employees.

Response: We concur with this recommendation and we will continue to work with VHA to ensure job offers are made to employees with work capacity.

To be completed NLT December 31, 2011

- c. **OIG recommendation 8:** The Assistant Secretary for HR&A coordinates with the Under Secretary for Health for the implementation of a fraud identification and referral procedures.

Page 2.

SUBJ: AMENDED RESPONSE: OIG Draft Report: Audit of VHA's Workers' Compensation Case Management – 2010-30850-R6-0353 (VAIQ #7130850)

Response: We concur and will work with VHA to develop and implement a fraud identification and referral procedure.

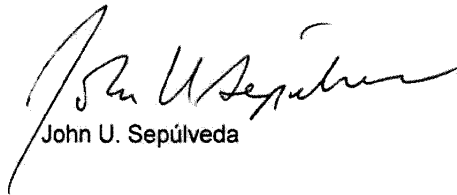
To be completed NLT December 31, 2011

- d. **OIG recommendation 9:** The Assistant Secretary for HR&A prepare a legislative proposal to enact WCP changes to convert claimants age 65 and over to an appropriate retirement plan.

Response: We agree that there is a need to support legislation for this purpose. There are currently two legislative proposals on this topic (S. 261 and S.353). VA is already on record as concurring with legislation to convert claimants age 65 and over to an appropriate retirement plan. We will develop a letter of support for the proposed legislation to provide to Department of Labor.

To be completed NLT November 30, 2011

2. We appreciate the OIG's recognition of the quality and reliable data produced by the WC-OSH/Management Information Systems, as we see the uniform use of this corporate data system as a considerable advancement in VA WC program management.
3. I am happy to discuss this with you further, or your staff may contact Frank Denny, Director, Office of OSH, at (202) 461-5021.



John U. Sepúlveda

Appendix F Under Secretary for Health Comments

Department of Veterans Affairs

Memorandum

Date: September 21, 2011

From: Under Secretary for Health (10)

Subj: OIG Draft Report, Audit of Veterans Health Administration Workers' Compensation Case Management, (Project No. 2010-03850-R6-0353) (VAIQ 7147756)

To: Assistant Inspector General for Audits and Evaluations (52)

1. I have reviewed the draft report and concur with the report findings, recommendations, and monetary benefit.
2. The Veterans Health Administration (VHA) acknowledges that additional work is needed to make the VHA Workers' Compensation Program (WCP) more effective and efficient. During the Office of Inspector General (OIG) review, the OIG audit team worked very closely with VHA officials, so that the appropriate staff in VHA have already begun to initiate changes and improvements in how VHA administers and manages its WCP. For example, the Office of the Deputy Under Secretary for Health for Operations and Management (DUSHOM) is designating staff in the DUSHOM's Office of Occupational Safety, Health, and Environmental Compliance to oversee compliance and enforcement of the VHA WCP. This office will coordinate closely with the Deputy Under Secretary for Health for Policy and Services (DUSHPS) Occupational Strategic Healthcare Group (the office reporting to the DUSHPS responsible for VHA WCP policy and programs), about policy and program matters. In addition, VHA will work closely with the Department of Veterans Affairs (VA) Workers' Compensation Steering Committee and the Office of the Assistant Secretary for Human Resources and Administration (HRA) to ensure close collaboration about the issues noted in the OIG report as well as other concerns involved with managing a successful WCP.
3. Thank you for the opportunity to review the draft report. Attached is VHA's corrective action plan to implement the report's recommendations. If you have any questions, please contact Linda H. Lutes, Director, Management Review Service (10A4A4) at (202) 461-7014.



Robert A. Petzel, M.D.

Attachment

VETERANS HEALTH ADMINISTRATION (VHA)

Action Plan

OIG Draft Report, Audit of Workers' Compensation Case Management Date of Draft Report: August 17, 2011

Recommendations Actions	Status	Completion Date
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Recommendation 1: We recommend the Under Secretary for Health establish Workers' Compensation Program case file documentation standards so that specialists ensure all case files are complete.

VHA Comment

Concur

The Deputy Under Secretary for Health for Operations and Management (DUSHOM) (10N), which is primarily responsible for Workers' Compensation Program (WCP) operations and implementation, in collaboration with the Deputy Under Secretary for Health for Policy and Services (DUSHPS) (10P), which is primarily responsible for WCP policy and programs, will develop action plans and standards for WCP case file documentation. The purpose is to ensure case files are complete and accurate. After the DUSHOM and the DUSHPS approve the action plans, the DUSHOM will forward the action plans to Veterans Integrated Service Network (VISN) and Facility Directors for implementation.

In Process

Action plans to be completed
and implementation to begin
NLT December 31, 2011

Recommendation 2: We recommend the Assistant Secretary for Human Resources and Administration coordinate with the Under Secretary for Health to develop and implement standard procedures for VA to determine the validity of claims lacking adequate supporting evidence.

VHA Comment

Concur

The DUSHOM and DUSHPS will ensure appropriate action plans and standard procedures are developed and coordinated with appropriate offices that report to the Assistant Secretary for Human Resources and Administration (HRA) for the VHA WCP. The goals are to properly and accurately manage all claims and ensure that claims lacking adequate supporting evidence will be monitored. After the plans are approved by the Offices of the Under Secretary for Health (USH) and Assistant Secretary for HRA, the DUSHOM will forward a memorandum to the field outlining the requirements for implementing action plans and standard procedures for accurate case management. The action plans and standard procedures will include monitoring in order to identify areas that require additional focus and improvement. The DUSHOM will keep the DUSHPS, VHA leadership, and the Workers' Compensation Steering Committee, which includes representatives from the Assistant Secretary for HRA, aware of concerns and efforts to address issues.

In Process

Action plans to be completed
and implementation to begin
NLT December 31, 2011

Recommendation 3: We recommend the Under Secretary for Health establish clear reporting lines with delegated authority for overseeing and enforcing Workers' Compensation Program policy. (Repeat recommendation from the 2004 VA OIG audit report.)

VHA Comment

Concur

The Veterans Health Administration (VHA) acknowledges that VHA needs to address these concerns expeditiously. Therefore, the DUSHPS will provide information to the DUSHOM about policy and requirements for establishing and maintaining a VHA WCP. The DUSHOM and DUSHPS will collaboratively develop action plans to establish clear reporting lines with delegated authority for overseeing and enforcing WCP policy. The DUSHOM is designating staff in the DUSHOM's Office of Occupational Safety, Health, and Environmental Compliance to oversee compliance and enforcement of VHA's WCP. This office will coordinate closely with the DUSHPS, Occupational Strategic Healthcare Group (the office reporting to the DUSHPS responsible for VHA WCP policy and programs), to ensure enforcement and compliance criteria are properly identified and implemented.

In Process

Action plans to be completed
and implementation to begin
NLT December 31, 2011

Recommendation 4: We recommend the Under Secretary for Health establish a plan, outlining the roles, responsibilities, procedures, and training needed for the Director of Safety, Health, and Environmental Compliance to accomplish Workers' Compensation Program oversight and enforcement control.

VHA Comment

Concur

The DUSHOM is designating staff in the DUSHOM's Office of Occupational Safety, Health, and Environmental Compliance to oversee compliance and enforcement of the VHA WCP. This office will coordinate closely with the DUSHPS, Occupational Strategic Healthcare Group (the office reporting to the DUSHPS responsible for VHA WCP policy and programs), to establish a plan, outlining the roles, responsibilities, procedures, and training needed for the Director of Safety, Health, and Environmental Compliance to accomplish Workers' Compensation Program oversight and enforcement controls. The DUSHOM's Office of Occupational Safety, Health, and Environmental Compliance will also coordinate closely with the DUSHPS on policy and program matters to ensure enforcement and compliance criteria are properly identified and implemented.

In Process

Action plans to be completed
and implementation to begin
NLT December 31, 2011

Recommendation 5: We recommend the Under Secretary for Health implement oversight mechanisms and documentation standards to ensure workers' compensation staff maintains complete and up-to-date case files.

VHA Comment

Concur

The DUSHOM is designating staff in the DUSHOM's Office of Occupational Safety, Health, and Environmental Compliance to implement mechanisms and standards to ensure workers' compensation staff maintain complete and accurate up-to-date documentation in active case files. This office will coordinate closely with the DUSHPS, Occupational Strategic Healthcare Group, to ensure enforcement and compliance criteria are properly identified and implemented. The DUSHOM's Office of Occupational Safety, Health, and Environmental Compliance will oversee the mechanisms and standards, providing efficacy of compliance.

In Process

Action plans to be completed
and implementation to begin
NLT December 31, 2011

Recommendation 6: We recommend the Assistant Secretary for Human Resources and Administration coordinate with the Under Secretary for Health to ensure job offers are made to medically able employees (*Repeat recommendation from the 2004 VA OIG audit report*).

VHA Comment

Concur

VHA acknowledges that VHA needs to address these concerns expeditiously. Therefore, the DUSHOM and DUSHPS will ensure appropriate action plans and standard procedures are developed and coordinated with appropriate offices that report to the Assistant Secretary for HRA in regard to ensuring that job offers are made to medically able employees. The goals are to manage all claims properly and accurately and ensure that claimants will be appropriately evaluated for work capacity in accordance with Federal Employee Compensation Act (FECA) regulations. The DUSHOM will keep the DUSHPS, VHA leadership, and the Workers' Compensation Steering Committee, which includes representatives from the Office of the Assistant Secretary for HRA, aware of concerns and efforts to address issues.

In Process

Action plans to be completed
and implementation to begin
NLT December 31, 2011

Recommendation 7: We recommend the Under Secretary for Health ensure facility directors assign adequate staff to manage WCP cases (*Repeat recommendation for the Department in the 2004 VA OIG audit report*).

VHA Comment

Concur

VHA acknowledges that VHA needs to address these concerns expeditiously. Therefore, the DUSHOM is designating staff in the DUSHOM's Office of Occupational Safety, Health, and Environmental Compliance to oversee compliance and enforcement of the VHA WCP, including evaluation of action plans to ensure facility directors assign adequate staff to manage their WCP effectively. This office will coordinate closely with the DUSHPS, Occupational Strategic Healthcare Group (the office reporting to the DUSHPS responsible for VHA WCP policy and programs) to ensure criteria are developed using best practices and return on investment models to determine what are appropriate WCP staff /programs ratio to manage WCP cases effectively and efficiently. The DUSHOM will keep the DUSHPS, VHA leadership, and the Workers' Compensation Steering Committee, which includes representatives from the Assistant Secretary for HRA, aware of concerns and efforts to address issues.

In Process

Action plans to be completed
and implementation to begin
NLT December 31, 2011

Recommendation 8: We recommend the Assistant Secretary for Human Resources and Administration coordinate with the Under Secretary for Health to develop and implement fraud identification and referral procedures.

VHA Comment

Concur

The DUSHOM is designating staff in the DUSHOM's Office of Occupational Safety, Health, and Environmental Compliance to oversee compliance and enforcement of the VHA WCP, including evaluation of action plans to ensure procedures are in place for fraud identification and OIG referral procedures. This office will coordinate closely with the DUSHPS, Occupational Strategic Healthcare Group (the office reporting to the DUSHPS responsible for VHA WCP policy and programs) to implement procedures to include the use of existing standardized OIG fraud identification and reporting procedures and the OIG case review guidelines. The DUSHOM will keep the DUSHPS, VHA leadership, and the Workers' Compensation Steering Committee, which includes representatives from the Assistant Secretary for HRA, aware of concerns and efforts to address issues.

In Process

Action plans to be completed
and implementation to begin
NLT December 31, 2011

Veterans Health Administration

September 2011

Appendix G Office of Inspector General Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Mario Carbone, Director Chau Bui Lee Giesbrecht Glen Gowans John Houston Heather Jones Crystal Markovic Jamie McFarland Sally Stevens
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Appendix H Report Distribution

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